VA DRG Recovery Audit Contract
First Annual Review Meeting Summary
Denver, Colorado

Date: 1/29/2002

Attendees

Veteran Affairs

Buzz Gray, Director, VA Medical Center, Little Rock, AR
James Davis, ACO, HAC
Ralph Charlip, Director HAC
Robert Zier, Accounting Technician, HAC
Thomas Wayburn, COTR, VA Recovery Audit, HAC
Eliott Vanderstek, Chief Accounting Officer, HAC
Ryan Lilly, Chief Fiscal Officer, HAC
Kent Simonis, Director Health Administration Services, VACO
Rex Gilmore, Program Specialist, VACO/HAS
Mary Johnson, Health Information Services, VACO
Jenie Perry, Chief Healthcare Information Systems, AAC
Sheldon Fine, Chief Financial Officer, VISN 21

Contractor

John Pieters, Program Manager, HealthNet
Frank Kelly, Director, Business Development, HealthNet
Richard Pectol, Vice President, Abacus Technology
Joy Wilkie, Director, Managed Care Services, HealthNet
Padra Randall, DRG Quality Coordinator, HealthNet
Sharon Lopez, DRG Manager, HealthNet

Tele-conference

John Bell, HealthNet
Kelly Foydl, HealthNet

Meeting Summary

1. Contractor and RASC members introduced themselves.

2. Workload Case Report:

Joy Wilkie presented a statistical overview of the recovery audit from inception through January 22, 2002.

Number records requested	18,472
Number records received	10,822
Complete records	7,192
Incomplete records	3,630
Number of cases referred for collection	569
Total recovery dollar amount	$1,447,198
DRG Reassignment cases	102
Recovery dollar amount	$291,315
Process error cases	467
Recovery dollar amount	$1,155,883

3. DRG Review

Top five DRG assignments billed by Non-VA Healthcare providers that were changed upon review because medical documentation did not support billed codes:

a. 475 - Respiratory system diagnosis with ventilator support
b. 468 - Extensive OR procedure unrelated to principal diagnosis
c. 079 - Respiratory infections & inflammations age >17 w cc
d. 416 - Septicemia age >17
e. 174 - GI hemorrhage w cc

Recommendation 1: VA fee sites request medical documentation for professional coding review when these DRG assignments are billed.

Action Item 1: Recommendation 1 adopted by RASC. Director HAC to discuss with VA/HAS and VA/HIMS.

4. Financial Report:

HAC Fiscal Service provided an account summary of cases established and cases collected by VA station through January 28, 2002 (attachment 1).

5. VA DRG Pricer Calculation

HealthNet discussed their findings regarding VA DRG Calculation. VA payment policy for inpatient care as defined in 38 CFR Chapter 17, Part 17.55 states that "payment shall be made of the full prospective payment amount per discharge, as determined according to the methodology in subparts D and G of 42 CFR part 412, as appropriate." 42 CFR part 412, Subpart D is the basic methodology for determining prospective payment federal rates for inpatient operating costs; Subpart G is the special treatment of certain facilities under the prospective payment system for inpatient operating costs. VA DRG calculation policy was to pay the amount determined by Subpart D and G plus an additional amount (9%) for specified excluded costs, in lieu of the HCFA additional amounts and payment methodology as described in Subpart M. These excluded costs include reimbursement for the direct and indirect expense of medical education, organ acquisition and transplantation costs, equity and capital expenses, etc.

Prior to October 1, 1997 VA DRG calculation excluded the HCFA additional amounts in the determination of the VA DRG payment but included the additional 9% payment. Since October 1, 1997 VA DRG Calculation includes both the HCFA additional amount and the additional 9% VA payment.

The automated process utilized by VA to exclude the HCFA additional amount was formulated on HCFA furnished provider files. HCFA designated "new hospitals" in the provider files cause the HCFA supplied VA Pricer methodology to exclude payment of the HCFA additional amount. Since the beginning of FY98 the vast majority of hospitals in the furnished provider file are not

designated as new hospitals. This change in institutional designation resulted in the inclusion of the HCFA additional amount in VA DRG reimbursement calculation. The percent of hospitals designated as new hospitals in the provider file, thus excluding the HCFA additional amount in VA calculation, from FY94 to FY98 was 99.29%, 99.60%, 98.72%, 97.56%, and 1.65% . The percentage of new hospitals for FY99 and FY00 is approximately 1.94%.

HealthNet concluded that, for an unidentified reason, HCFA changed the new hospital designations in the provider file furnished to VA during FY98 and beyond. This change was not recognized by VA and consequently all DRG payments since FY98 have a payment calculation based upon the inappropriate inclusion of the HCFA additional payment amount. The estimated recovery is approximately $28,000,000.

Recommendation 2: It was recommended that DRG overpayments issued as a result of the inclusion of HCFA additional amount in VA DRG calculations be recovered under the conditions of the Recovery Audit Contract. Prior to actual implementation for recovery, it is requested that concurrence be obtained from the Office of General Counsel.

Action Item 2: RASC adopted Recommendation 2. Contracting Officer, VACO, and Director, Health Administration Center to coordinate request for OGC concurrence in regards to collection actions.

Recommendation 3: It is recommended that Director, Health Administration Services, VACO, initiate and coordinate immediate actions to remedy the inclusion of HCFA additional amount in VA DRG calculation to prevent continuation of overpayments.

Action Item 3: RASC adopted Recommendation 3. Director, Health Administration Services to implement.

6. <u>VAMC Houston and VAMC North Chicago Data</u>

HealthNet questions the data submitted for stations 537 and 580. There were a total of 2,076 unique payments on the AAC data file provided to Abacus Technology for station 537. Of these 2,076 payments 149 payments were made to institutional entities for inpatient episodes of care. The AAC data file for station 580 contained 21 payments to an institutional entity for inpatient episodes of care out of a total of 383 unique payments. The number of cases referred for both stations is not representative of the number of cases referred for stations of similar size and composition.

Recommendation 4: Health Administration Services, VACO evaluate the fee process at station 537 and 580 to determine payment methodology utilized for inpatient episodes of care and report findings during scheduled teleconference.

Action Item 4: RASC adopted Recommendation 4. Director, Health Administration Services to investigate payment methodology for Non-VA hospitalization cases at VAMC Houston and VAMC North Chicago and report findings to HealthNet via COTR.

7. PPS Exempt Facility Determinations

In response to questions concerning verification of non-VA hospital and discrete unit PPS exempt status, HealthNet explained the methods available in their determination of PPS exemptions. It was noted that the

listed exempt status in the VA provider file may not be current information. PPS exempt status is used by VA to determine payment on a DRG basis versus payments made on a cost-to-charge ratio. The auditors have reported some infrequent discrepancies in the exemption status of hospitals and discrete units in the VA provider file. HealthNet suggested that VA explore using the CMS OSCAR report to validate provider status.

Recommendation 5: VA explore using CMS OSCAR data to validate PPS exemption status for non-VA hospitals and discrete units within hospitals to assist in determination of payment methodology.

Action Item 5: Recommendation 5 adopted by RASC. COTR to coordinate with Health Administration Services, VACO and Health Administration Center, Denver, CO.

8. Offset Notification and Communication

VA offset procedures and HealthNet offset communications were briefly discussed. This issue was deferred pending review and research by the COTR. A follow-up report will be given during the bi-monthly teleconference calls.

9. Invoice Processing

HAC requested that the contract payment process be changed to permit HAC to pay the contractor the contracted payment rate on a weekly basis when payments are deposited without the need for invoicing. It was noted that HAC posts the receivables established and collections and transmits this data to the contractor for use in preparing the invoice.

Recommendation 6: Beginning March 1, 2002 HAC will issue payment to the contractor on a weekly basis without invoicing.

Action Item 6: Recommendation 6 adopted by RASC. Administrative Contracting Officer to issue an amendment to the contract voiding the invoicing process and directing HAC to pay the contractor the contracted rate on a weekly basis for collections not previously paid and HAC will provide a daily payment file identifying receivables established and collections deposited.

10. Data File Transfer

COTR presented draft procedures for receivable and payment data exchange between HealthNet and HAC. Issue is deferred to next scheduled teleconference call.

11. Contracts and Sharing Agreements for the State of Alaska

COTR furnished complete copy of contracts to HealthNet.

12. Next Meeting: September 2002, Sacramento, CA

Tom Wayburn
COTR, Recorder